



Moritt Hock Hamroff & Horowitz LLP

ATTORNEYS AT LAW

400 Garden City Plaza Garden City, New York 11530

(516) 873-2000 Fax (516) 873-2010

www.morittthock.com

Dennis C. O'Rourke
Of Counsel

RECORDATION NO. 26638 FILED

OCT 23 '06

4-08 PM

SURFACE TRANSPORTATION BOARD

October 16, 2006

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001



Dear Secretary Williams:

I have enclosed an executed original and one counterpart of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. This document is a Security Agreement, a primary document, dated October 3, 2006.

The names and addresses of the parties to the document are as follows:

Borrower:

Golden Pacific Railroad, Inc.
430 East 25th St. Suite 202M
Tacoma, Washington 98421

Lender Representative:

Corporate Communications Corp.
135 Glenwood Road
Glenwood Landing, New York, 11547

Secured Parties:

Robert Flagler
2234 Via Espada
Pleasanton, California 94566

Martin French
5744 SE 20th Avenue
Portland, Oregon 97202

and such others as may become parties to the security agreement at a later date.

Honorable Vernon A. Williams

October 16, 2006

Page 2

A description of the equipment covered by the document follows:

One (1) EMD F-40PH Diesel Locomotive Type identified as FLNX418

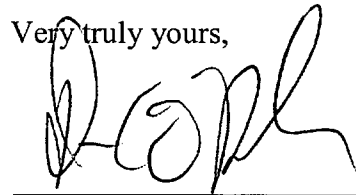
A fee of thirty four dollars (\$34) is enclosed. Please return the original and any extra copies not needed by the Board for recording to:

Dennis O'Rourke, Esq.
Moritt Hock Hamroff & Horowitz LLP
400 Garden City Plaza
Garden City, NY 11530

A short summary of the document to appear in the index follows:

A Security Agreement by and among Golden Pacific Railroad, Inc. as Borrower, Corporate Communications as Lender Representative and such persons identified as lenders thereon in connection with a loan of up to \$270,000.00 to Borrower covering the one (1) EMD F-40PH Diesel Locomotive Type identified as FLNX418 and all other assets of Borrower.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. O'Rourke", written over a horizontal line.

Dennis C. O'Rourke
Of Counsel

CERTIFICATION

I, Dennis C. O'Rourke, have compared this copy to the original Security Agreement dated October 3, 2006, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.

A handwritten signature in black ink, appearing to read 'D O'Rourke', written over a horizontal line.

Dennis C. O'Rourke
October 16, 2006

OCT 23 '06

4-08 PM

SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

AGREEMENT made as of this 3rd day of October, 2006 between the one or more persons executing this agreement as a lender hereunder (the "Secured Party" or the "Lender") and GOLDEN PACIFIC RAILROAD, INC. an Oregon company with its principal office at 430 East 25th Street; Suite 202M; Tacoma, WA 98421 (the "Company"); Lou Schillinger an individual with an address of 430 East 25th Street; Suite 202M; Tacoma, WA 98421 (the "Individual") and each Golden Entity, as hereinafter defined.

WITNESSETH:

WHEREAS, Borrower is indebted to Secured Party pursuant to that certain Promissory Note dated August __, 2006 ("Note");

WHEREAS, in order to secure the payments due to Secured Party under the Note, the Company (hereinafter referred to as the "Borrower") has agreed to grant a security interest to Secured Party in certain assets of the Borrower as hereinafter described.

NOW THEREFORE, based upon the mutual covenants, conditions and promises hereinafter contained, it is agreed as follows:

1. GRANT OF SECURITY INTEREST. Secured Party has this date made loans and advances to the Company in the principal amount of Two Hundred Seventy Thousand (\$270,000.00) Dollars with interest thereon as more fully described in the Note. To secure payment due under the Note and any renewals, extensions, amendments or modifications thereof, and also to secure any other indebtedness or liability of Borrower to Secured Party, whether direct or indirect, absolute or contingent, due or to become due, including future advances, the Borrower and the Golden Entities hereby grant to the Secured Party a first security interest in such equipment or other assets identified on Schedule "A" hereto, and all products and proceeds thereof (including proceeds from all insurance arising from such collateral) (all collectively the "Collateral").

2. USE OF PROCEEDS: The extensions of credit under and proceeds of the Note shall be used as follows

- a. \$160,000 shall be used to acquire one (1) F-40 Locomotive currently bearing AAR reporting marks FLNX 418 (the "Locomotive").
- b. \$110,000 short-term working capital and general corporate purposes.

3. RELIANCE ON NOTICES; APPOINTMENT OF LENDER REPRESENTATIVE. Borrower shall be entitled to rely upon, and shall be fully protected in relying upon, any notice believed by Borrower to be genuine. Borrower may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Borrower has actual knowledge to the contrary. Each Lender hereby designates Christopher F. Castaldo of Corporate Communications Corp. as its

representative (the "Lender Representative") on its behalf for the purposes of issuing notices, giving instructions with respect to the repayment of the Loan, giving and receiving all other notices and consents hereunder or under any of the other documents executed in connection with the Loan and taking all other actions (including in respect of compliance with covenants) on behalf of any Lender or Lenders under the Loan Documents. Lender Representative hereby accepts such appointment. Borrower may regard any notice or other communication pursuant to any Loan Document from Lender Representative as a notice or communication from all Lenders, and may give any notice or communication required or permitted to be given to any Lender or Lenders hereunder to Lender Representative on behalf of such Lender or Lenders. Each Lender agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by Lender Representative shall be deemed for all purposes to have been made by such Lender and shall be binding upon and enforceable against such Lender to the same extent as if the same had been made directly by such Lender. Christopher F. Castaldo of Corporate Communications Corp. hereby agrees to act as Lender Representative hereunder. Borrower shall only be required to communicate with the Lender Representative and not any individual Lender. Individual Lenders shall not have the right to act individually and may only act through the Lender Representative.

4. COVENANTS AND UNDERTAKINGS OF BORROWER. The Borrower covenants and undertakes to Secured Party that:

- a. Borrower shall not incur debts, for loans and/or equipment leases in excess of \$50,000 without the express written consent of the Secured Party;
- b. Borrower shall not lease, encumber, remove, conceal, grant or permit any further security interest in, the Collateral;
- c. Borrower shall at all times retain possession of all original chattel paper which constitute the Collateral; and will make the Collateral available for Secured Party's inspection upon two (2) days prior notice;
- d. Loss, theft, damage or destruction or seizure of the Collateral shall not relieve the Borrower from the payment of any debt secured hereby;
- e. Borrower shall use the Collateral in a careful and lawful manner, retain all manuals, service records and receipts and comply with and conform to all laws, ordinances and regulations relating to the possession, use and maintenance of the Collateral. Borrower shall, at its sole expense at all times, maintain the Collateral in good operating order, repair, condition and appearance and protect the Collateral from deterioration, other than normal wear and tear, and furnish all required labor, parts,

replacements and repairs. Upon Secured Party's request, Borrower shall at reasonable times during business hours, make the Collateral available to Secured Party or its agents for inspection; and

- f. Borrower will not permit the Collateral to become affixed to real estate or permit it to become an accession to other personal property, without Secured Party's prior written consent and without providing Secured Party with all waivers and consents Secured Party deems necessary to make its security interest in the Collateral valid against and superior to the rights of all parties holding interest in the real estate and other assets of the Borrower.
- g. Borrower will assist the Secured Party in connection with the perfection of Secured Party's lien on the collateral, including without limitation any requirements for securing the Locomotive.

5. REPRESENTATIONS AND WARRANTIES OF BORROWER. The Borrower represents and warrants to the Secured Party that:

- a. The Borrower is solvent and that it will remain so, that its Federal, State and municipal taxes, including employment taxes, are current and will so remain or that such taxes have been reserved for, and that it has induced Secured Party to make loans and advances identified in the Note based upon such representations and warranties contained in this Agreement;
- b. None of the Borrower's Collateral including the Accounts reflected on Schedule "A" have been previously sold, pledged or assigned to any person, firm or corporation and will not be sold or assigned, other than to Secured Party, at any time during the term of this Agreement; nor will Borrower execute any security agreements or UCC financing statements in favor of any other party, or borrow against the security of any asset pledged hereunder, without first obtaining Secured Party's consent in writing, unless otherwise specifically set forth herein to the contrary;
- c. Borrower is the sole owner of the Collateral free from any lien, security interest or encumbrance and it has the right to grant Secured Party a first position security interest, and will defend the Collateral against the claims and demands of all persons, other than the Locomotive which has not yet been acquired by the Borrower;

d. Execution and delivery hereof has been duly authorized by all necessary action of the Borrowers' directors and shareholders and the Note and this Agreement constitute valid and binding obligations of Borrower;

e. Secured Party is authorized to execute and file at Borrower's expense its financing statements and other instruments and documents that may be reasonably necessary to perfect and protect Secured Party's security interest;

f. Any chattel paper which relates to the Collateral is genuine, legal, valid and binding obligations and there exists only one (1) original of each such contract;

g. Neither the execution or delivery by Borrower of this Agreement, the Note, or guaranty will constitute (1) a violation or default of any statute, rule or decree of any court, administrative agency or governmental body to which Borrower is or may be subject, or (2) a material default with respect to any indenture, loan agreement or other agreement to which Borrower is bound; and

h. There are no suits pending or threatened against Borrower.

i. The Borrower has no subsidiaries.

6. ATTORNEY IN FACT. The Borrower hereby appoints Secured Party or its designee as Borrower's attorney, with power to execute and file financing statements, to endorse the name of Borrower upon any notes, acceptances, checks, drafts, money orders, or other evidences of payment or collateral that may come into Secured Party's possession, to sign Borrower's name on any invoice or bill of lading relating to any Accounts, on drafts against debtor's assignments and verifications of accounts and notices to debtors, to redirect, to receive, open and dispose of all mail addressed to Borrower, to send verifications of accounts to any debtors, and to do all other acts and things necessary to carry out the provisions of this Agreement. Secured Party shall not be entitled to invoke the benefits and rights of this paragraph unless an event of default has occurred. Without limiting the foregoing, in connection with any sale or disposition pursuant to this agreement, Lender shall have the right, in the name, place and stead of Individual the Golden Entities or the Borrower, to execute the necessary endorsements, assignments, or other instruments of conveyance or transfer with respect to all or any of the Collateral, including without limitation the Pledged Shares. The foregoing grant of authority is irrevocable and coupled with an interest. The foregoing

7. EVENTS OF DEFAULT. The occurrence of any of the following events or conditions

shall, at the option of the Secured Party, and without notice or demand, constitute an event of default hereunder: (a) The Borrower's failure to make payment of any indebtedness secured hereby including but not limited to the payments due under the Note; or (b) failure of the Borrower to perform any covenant or undertaking on the Borrower's part herein within ten (10) days of written notice thereof by Secured Party; or (c) breach of any representation or warranty or falsity thereof made by Borrower to Secured Party; or (d) attachment or seizure of, or levy upon, any property owned or leased by the Borrower including but not limited to the Collateral which is not removed, vacated or discharged within fifteen (15) days of occurrence; or (e) default, beyond any cure period, by Borrower in any other loan, lease or security agreement entered into with Secured Party or another creditor; or (f) institution of any proceeding by or against Borrower or Borrower's business under any bankruptcy or insolvency statute or Borrower's assignment for the benefit of creditors or the appointment of receiver for the Borrower or for the Collateral, or the filing of a tax lien notice against Borrower by any taxing authority which involuntary bankruptcy proceeding or tax lien remains unsatisfied for greater than forty-five (45) days; or (g) if Borrower shall suffer a material adverse change in its condition or affairs, financial or otherwise, that in the reasonable opinion of Secured Party materially increases its risk with respect to the obligations under this loan or materially impairs any security therefor of any of the Collateral or Secured Party shall at any time deem any of the Collateral to be in danger of misuse, concealment or misappropriation; or (h) loss, material destruction, sale, encumbrance, concealment, or forfeiture of the Collateral or any material portion thereof.

8. REMEDIES. Upon the occurrence of any event of default, Secured Party may exercise one or more of the following remedies: (a) declare all Borrower's indebtedness secured hereby (including but not limited to the Note immediately due and payable, (b) take possession of the Collateral (including all other remedies associated with the Accounts and Accounts Receivable) without demand or legal process, enter the premises where the Collateral may be found and take possession of and remove the Collateral without liability for suit, action or other proceeding, and all rights of Borrower in the Collateral so removed shall terminate absolutely, and (c) shall have all other rights and remedies of a secured party under the Uniform Commercial Code. Expenses of re-taking, holding, preparing for sale, selling or the like shall include, but not be limited to, Secured Party's reasonable attorneys' fees and legal expenses, auctioneers fees, sales commissions and advertising expenses. Secured Party may require Borrower to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Secured Party is authorized to maintain, sell or dispose of the Collateral on the premises of the Borrower. Secured Party's rights and remedies shall be cumulative and not alternative.

While the Borrower is in default beyond an applicable cure period, the Borrower shall not distribute to shareholders, nor shall any shareholders (or insiders as that term is defined in the U.S. Bankruptcy Code) receive compensation from the Borrower of any kind including dividends, salary, bonuses, distributions, commissions or the like.

9. INSURANCE. The Borrower shall obtain and maintain for the entire term of this

Agreement, from an insurance company reasonably satisfactory to Secured Party, insurance specifically scheduling the Collateral for fire, theft, extended coverage in an amount equal to or greater than Borrower's obligation to Secured Party under the Note with Secured Party named as loss payee and additional insured, and environmental hazard coverage, and general liability insurance, naming Secured Party as loss payee and additional insured in an amount no less than \$3,000,000. The Borrower shall use its best efforts to insure that each such policy of insurance shall contain a clause requiring the insurance carrier to give at least thirty (30) days written notice of any alteration to the policy, or the cancellation, termination or non-renewal thereof. The Borrower shall, from time to time, furnish to Secured Party, such evidence of insurance as Secured Party shall require. Secured Party is authorized, but under no duty, to obtain such insurance upon the failure of the Borrower to do so and upon obtaining the same may charge Borrower therefor. Borrower shall give immediate written notice to the Secured Party and to insurers as to loss or damage to the Collateral, and shall promptly file proofs of loss with insurers. Borrower hereby irrevocably appoints the secured party as the attorney-in-fact, coupled with an interest, for the Borrower in obtaining, adjusting and canceling any such insurance and endorsing settlement drafts and filing proofs of loss, and hereby assigns to the Secured Party all sums which may become payable under such insurance, including returned premiums and dividends, as additional security for payment due under the Note.

10. INDEMNIFICATION. Borrower hereby agrees to indemnify, save and keep harmless Secured Party, its agents, employees, successors and assigns, from and against any and all losses, damages (including indirect, special or consequential), environmental hazards or penalties of any kind or nature, injuries (whether to property, person or otherwise), claims, actions and suits, including, without limitation, legal expenses of whatsoever kind and nature (including, without limitation, reasonable costs and expense incurred by Secured Party in defending claims or suits brought against it by Borrower or any account debtor) in contract or tort, including, but in no way limited to, Secured Party's strict liability in tort, unless and except to the extent of Secured Party's gross negligence or willful misconduct is the proximate cause of any such loss, damage, penalty, injury, claim, action or suit, and Borrower shall at its own expense defend any and all such actions, arising out of the selection, modification, purchase, ownership, acceptance or rejection of any item of Collateral, and the delivery, possession, maintenance, use, condition (including without limitation latent or other defects, whether or not discoverable by Secured Party or Borrower, and any claim for patent, trademark or copyright infringement) or operation or any item of Collateral by whom so ever used or operated or arising out of or resulting from the condition of any item of Collateral, sold or disposed of after use by Borrower, any lessee, sublessee or employee of Borrower. The indemnities and assumptions of liability herein provided for shall continue in full force and effect, notwithstanding the termination of this Security Agreement, whether by expiration of time, operation of law or otherwise. BORROWER AGREES THAT SECURED PARTY SHALL NOT BE LIABLE TO BORROWER FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF COLLATERAL FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO, OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY SUCH MAINTENANCE, SERVICE OR REPAIRS OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF, OR ANY

LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE SOLE RISK AND RESPONSIBILITY OF BORROWER.

11. FINANCIAL STATEMENTS. So long as this Agreement is in effect, and not later than: (a) one hundred twenty (120) days after the end of Borrower's fiscal year, (b) sixty (60) days after the end of each fiscal quarter, and (c) sixty (60) days of the Secured Party's written request, Borrower shall furnish current financial statements (and federal income tax returns) satisfactory to Secured Party as to form, preparation and content, on a review basis by Borrower's certified public accountant, which financial statement shall be in comparative form (except for the first year) for such fiscal year and at least two (2) prior fiscal years. Each financial statement submitted by Borrower to Secured Party shall be accompanied by a certificate certifying: (i) that such financial statement was prepared on a cash/receipts and disbursements/income tax basis which reflects any and all liabilities whether or not paid and which fairly and accurately presents the Borrower's financial condition and results of operations for the period to which it pertains, and (ii) that no event of default has occurred under this Agreement during the period to which such financial statement pertains.

12. RIGHTS TO COLLECT ACCOUNTS AND ACCOUNTS RECEIVABLE. To the extent the Collateral includes accounts or accounts receivable (together "Accounts"), such accounts or accounts receivable now existing or hereinafter created are hereby assigned by Borrower to Secured Party. The Borrower shall be privileged to collect the Accounts for Secured Party but such privilege may be terminated by Secured Party at any time in its sole and absolute discretion, and shall automatically terminate upon: (a) Borrower's failure or inability to pay its debts as they mature; (b) Borrower's discontinuance of a substantial part of its business, (c) the institution by or against Borrower of any proceedings in bankruptcy, reorganization, receivership or insolvency, and (d) the violation, breach or default of any warranty, covenant, representation, term or condition of this Agreement by Borrower or under the Note (including a default in payment). Upon an event of default, Secured Party shall have the right to notify the Borrower's account debtors (including those on Schedule "A") that the Borrower's Accounts have been assigned to it, collect the Accounts directly in its own name and charge the collection costs (including reasonable attorneys' fees and expenses) to the account of Borrower. Until Secured Party shall give Borrower other instructions, Borrower shall continue to make collection of all Accounts for Secured Party. All payments and other proceeds on account of an Account(s), shall be the specific property of Secured Party; Borrower shall receive such payments as Secured Party's trustee and shall be entitled to retain and distribute them provided no default has occurred hereunder. Lender shall retain the original of all chattel paper which relates to the Collateral identified on Schedule "A".

13. ACCOUNTS RECEIVABLE REPORTS. To the extent Accounts are included as Collateral, then upon written request of Secured Party, the Borrower shall provide to the Secured Party a monthly summary of all existing Accounts of the Borrower. If requested by Secured Party, the summary of Accounts must include (subject to federal and state laws regarding confidentiality), at a minimum, the date the account was created, the name and address of the account debtor, the amount due and the date the invoice or other similar bill was rendered. If requested by the Secured Party, the Borrower will provide such additional documents in respect

of the Accounts as the Secured Party may require.

The Schedules of Accounts shall be accompanied by a certification from an officer of the Borrower certifying that:

- a. each Account on the annexed schedule represents a bona fide receivable not in default unless otherwise specified; and
- b. that the Account is not, to Borrower's knowledge, subject to any offset, deduction, counterclaim, discount or condition.

14. TRANSFER OF ASSETS; MERGER.

a. The Borrower will not transfer or dispose of all of its assets or any substantial portion thereof to any person or entity (including, without limitation, to a corporation Limited Liability entity, or partnership wholly or partially owned or controlled by Borrower) nor will it transfer twenty (20%) percent or more of its common stock (partnership or membership interests) and, if Borrower is an entity, it will not merge or consolidate with or into another entity, liquidate or dissolve, or acquire new partners, members, or shareholder(s) unless: (a) Secured Party shall have been notified at least thirty (30) days prior to any such event; (b) Secured Party shall have consented in writing to such event in its sole discretion; (c) the transferee of such assets or surviving or successor corporation, as the case may be, shall, by the execution of a written instrument, assume all of the obligations of Borrower to Secured Party; and (d) in the case of a new partner(s), member(s), or shareholder(s), they execute a guaranty of payment in respect of the Note and of this Agreement, in the form, if any, executed simultaneously herewith by the now present shareholders, members and/or partners.

b. The limitations contained in subparagraph (a) above shall not apply to a sale of the Locomotive and the Lenders shall release any lien on the Locomotive so that Borrower may transfer title in the Locomotive in connection with such Sale , provided that:

- (i) the sale price of the Locomotive is at least equal to the lower of (x) the outstanding balance of the Loan or (y) the purchase price paid by the Borrower for the Locomotive;
- (ii) that the Borrower gives simultaneous notice of such Sale to the Lender Representative; and
- (iii) Borrower deposits a portion of the proceeds of such sale, at least equal to the purchase price paid by the Borrower for the Locomotive, in an escrow account for the Benefit of the Lenders and uses such proceeds to pre-pay the Loan; and
- (iv) Any such prepayment shall not limit Borrower's obligation to pay at least six months interest on the total amount of the Loan.

15. NOTICES. Any notices provided in this Agreement shall be deemed to have been duly given and effective on delivery if hand delivered, or when sent if sent by nationally recognized overnight delivery service, or by certified mail, return receipt requested, to the addresses stated

herein, or to such other address as may be designated in writing by either Secured Party Lender Representative or Borrower.

16. **ATTORNEYS' FEES.** In the event Secured Party engages the services of an attorney in connection with any default by Borrower hereunder (whether or not an action has actually been instituted), or otherwise relating to protecting or securing its rights under this Agreement, Borrower agrees to the extent permitted by law that there shall be included in the computation of the indebtedness secured hereby the amount of a reasonable fee for the services of Secured Party's attorney, as well as all disbursements, costs, allowances and expenses incurred by Secured Party and/or its counsel.

17. **INVALIDITY.** If any provision of this Agreement or the Note secured hereby shall, to any extent be invalid, the remainder of this Agreement or the Note secured hereby, other than those to which it is held invalid, shall not be affected thereby, and each provision of this Agreement and the Note shall be valid and enforceable to the fullest extent permitted by law. If the interest rate charged under the Note exceeds the maximum rate permitted by law, then the parties agree to reduce such rate to the maximum allowable rate.

18. **NO OFFSET OR TRIAL BY JURY:** Borrower hereby agrees that in any proceeding instituted by Secured Party under the Note and/or this Agreement, Borrower will not and cannot and hereby, (a) **WAIVES** any right to assert or interpose against Secured Party or against the Note or this Agreement (or the payment, collection or other enforcement of either such instruments), any claim, demand, defense, set off, deduction or counterclaim whatsoever of any nature or description, (b) waives any **RIGHT TO OBTAIN A TRIAL BY JURY** or seek to consolidate or obtain a joint trial or hearing of any action or proceeding or motion in which Borrower makes a claim or demand against Secured Party or against the Note or this Agreement (or the payment, collection or other enforcement of either of such instruments) of any nature or description.

19. **WAIVER.** Waiver of any default shall not constitute a waiver of any subsequent or other default. Any failure by Secured Party to perfect its security interest in the Collateral (whether intentionally or through an error of the Secured Party) shall impose no liability upon Secured Party nor relieve Borrower (or any guarantor) of its obligations hereunder, under the Note or any accompanying guaranty.

20. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties with respect to its subject matter, supersedes all existing agreements and all other oral, written and other communications between the parties concerning the subject matter. This Agreement shall not be modified in any way except by a writing signed by all parties hereto. The parties recognize that simultaneously herewith, Borrower is executing the Note along with such other documents necessary to implement the terms of this Agreement as herein contemplated.

21. **ASSIGNMENT.** This agreement may be assigned by Secured Party without notice or consent of the Borrower. Upon such assignment, Borrower will make all payments to assignee without any offset or counterclaim Borrower may have with Secured Party.

22. HEADING. The headings in this Agreement are solely for convenience and reference and shall not affect interpretation.

23. GOVERNING LAW AND JURISDICTION. This Agreement shall be governed by the laws of the State of New York. Borrower hereby submits to the exclusive jurisdiction and venue of the state courts in Nassau County, New York, and the federal courts of the Eastern District of New York in any action or proceeding brought under this Security Agreement by Borrower and to the non-exclusive jurisdiction of such forum in any action brought by Secured Party. Borrower agrees that any process, notice of motion or other application to any of said courts (or a judge thereof) in any such action or proceeding shall be sufficiently served if sent to Borrower by certified mail, return receipt requested, to the address set forth below (and service so made shall be deemed complete five (5) days after the same has been posted as aforesaid).

23. CONSTRUCTION. All references in this Agreement to "including" shall be deemed to mean "including, without limitation. Where the context or construction requires, all words applied in the plural shall be deemed to have been used in the singular, and vice versa; the masculine shall include the feminine and neuter, and vice versa; and the present tense shall include the past and future tense, and vice versa.

GOLDEN PACIFIC RAILROAD, INC.

By: 

Name:

Louis M. Schillinger

Title:

President

CORPORATE COMMUNICATIONS CORP.,
solely as Lender Representative

By: _____

Name: Christopher Castaldo

Title: _____

LENDER SIGNATURE PAGE TO SECURITY AGREEMENT

Lender:

**Portion of Loan Funded By
Lender \$** _____

By: _____
Name: _____

F:\BLECHMAN\GOLDEN LLC\DOCS\LOAN SECURITY AGREE 6 15 06.DOC

SCHEDULE A

ALL ASSETS

All personal property of Borrower, now owned and hereafter acquired, of every kind and description, including, without limitation, all inventory, equipment, fixtures, accounts, chattel paper, contract rights, instruments, documents and general intangibles, and all products and proceeds thereof.

ALL ACCOUNTS RECEIVABLE AND ACCOUNTS

All now existing and hereafter acquired or created accounts together with Borrower's (or each Golden Entity's, as applicable) interest in all inventory described in invoices with respect to such accounts; all returned and repossessed inventory; and all now existing and hereafter acquired or created contract rights, instruments, chattel papers and general intangibles wherever located including, without limitation, all of the foregoing which arise in connection with the sale of inventory and/or the rendition of services.

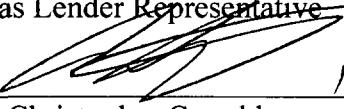
F:\CLIENT-2\DCO\Gprailroad\Security Agreement082406.DOC

13C:\Documents And Settings\Lschillinger\Local Settings\Temporary Internet Files\OLK3\Security Agreement082506.DOC

GOLDEN PACIFIC RAILROAD, INC.

By: _____
Name: _____
Title: _____

CORPORATE COMMUNICATIONS CORP.,
solely as Lender Representative

By:  10/9/06
Name: Christopher Castaldo
Title: President

GOLDEN PACIFIC RAILROAD, INC.

By: _____
Name: _____
Title: _____

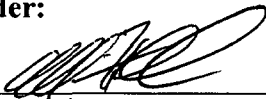
CORPORATE COMMUNICATIONS CORP.,
solely as Lender Representative

By: _____
Name: Christopher F. Castaldo
Title: _____

LENDER SIGNATURE PAGE TO SECURITY AGREEMENT

Portion of Loan Funded By
Lender \$ 10,000
Date: 9/6/06

Lender:

By: 
Name: MARTIN FRENCH
Address: 5744 SE 20th AVE
PORTLAND, OR 97202
SS# / Tax ID#: 541-90-3270

F:\BLECHMAN\GOLDEN LLC\DOCS\LOAN SECURITY AGREE 6 15 06.DOC